

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Department of the Treasury

Release Number: **201718041**

Release Date: 5/5/2017

Date: **February 7, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

c dollars = amount

d dollars = amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program, the purpose of which is to provide grants to individuals to enable students to reach the educational attainment of a diploma or degree of their choice.

You will offer scholarship benefits and student aid to high school, technical college, college, or graduate school students to enable the recipients to complete high school, to complete technical or community college certificate-granting programs, or to obtain bachelor's or advanced degrees.

An applicant must meet one or more of the following criteria:

- a. show sufficient academic ability (including without limitation as demonstrated by prior academic performance or performance on tests designed to measure ability and aptitude) to enable him or her to complete courses of study necessary to graduate from the educational institution selected by him or her and which will admit him or her as a student; or
- b. have such character, good citizenship, and motivation to obtain an education for a field in which he or she may be expected to work hard and seriously to continue and complete his or her education; or
- c. exhibit clear need for financial assistance to enable him or her to complete his or her course of studies and can demonstrate such fact by information submitted with the application.

Determinations of financial need will be based upon all pertinent factors with respect to the student's ability to complete his or her higher education without assistance.

Determinations with respect to academic ability and character will be based upon such facts which are deemed pertinent by your grant selection committee, and may include transcripts and recommendations of an applicant's high school or college advisor, teachers, or mentors. All individual grants will be processed and awarded on an objective and non-discriminatory basis.

Grants will generally range from c dollars to d dollars, individually per year. The individual scholarship sizes may fluctuate over time depending upon the availability of funds and the applicant's need.

Scholarship funds may only be used for:

- a. tuition and fees required for enrollment or attendance of the student at a qualifying institution;
- b. fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and
- c. room and board.

You intend to establish a website where publication, advertisement, and solicitation for applications will occur. The website will be established before informing anyone of possible grants, with full opportunity (at least 30 days) notice to submit a request for a grant.

Each grantee must provide you with proof of use of funds received in the appropriate manner, such as a receipt or letter from the educational institution affirming appropriate use of the funds. You will award scholarships and grants annually, and they may be

renewed annually, provided that a student is in good academic and disciplinary standing, and is progressing satisfactorily towards completion of a graduate or post-graduate degree with progress to a minimum of a Grade B average or the equivalent. Grade reports shall be sent from the grantee student to you when so provided to the grantee student by the school in which they attend, whether quarterly or annually.

Your board of directors will serve on the grant selection committee, which may but is not required to have additional members. Additional individuals may apply to serve on the grant selection committee with approval of the current committee members. Such approval shall be based upon experience as an educator or equivalent experiences in the wholesome development of young people to become successful citizens who graduate from schools and/or colleges. The grant selection committee shall have at least three members at all times, and the Chairman of the committee shall be a member of your board of directors.

Upon completion of the purpose for which the grant was awarded, you will review grantee reports annually, ensure that the funds were used for their intended purpose, and take all reasonable and appropriate steps to recover any funds that are not used for their intended purpose. If it is found that any funds were used for any purpose other than their intended purpose, you will withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take all necessary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate recipients, identify whether a recipient is a disqualified person, establish the amount and purpose of each grant, and provide evidence that you supervised the use of the grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.

- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements